

INSURANCE COVERAGE UNDER TITLE IV OF THE
NATIONAL HOUSING ACT

JULY 13, 1959.—Ordered to be printed

Mr. ROBERTSON, from the Committee on Banking and Currency,
submitted the following

REPORT

[To accompany H.R. 7789]

The Committee on Banking and Currency, to whom was referred the bill (H.R. 7789) to amend paragraph (b) of section 401 of the National Housing Act, as amended, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

PURPOSE OF THE BILL

The purpose of the bill is to provide for married savers in community property States the same amount of insurance on their savings accounts in savings and loan institutions insured by the Federal Savings and Loan Insurance Corporation as married savers receive for the same accounts in States which do not have community property laws.

GENERAL STATEMENT

The Federal Savings and Loan Insurance Corporation insures insured savings accounts of members or investors in insured savings and loan institutions. This insurance is limited to \$10,000 for any member or investor in any one insured institution. In the case of married savers, in States which do not have community property laws, this statute has been interpreted to permit a husband and wife to have three savings accounts, each insured up to \$10,000 in one institution: one account in the name of the husband, one account in the name of the wife, and a third account in their names as joint tenants with the right of survivorship or as tenants by the entirety.

However, under community property laws, an account in the name of a husband, an account in the name of his wife, and an account in the names of both may all be community property and may all be held to be under identical ownership. In such a case the maximum

insurance on all three accounts, in a community property State, would be \$10,000. Since the premiums paid for insurance is computed in the same way, in States having community property laws and States not having community property laws, the result is that savings and loan associations in community property States pay the same premiums, but can make available much less insurance.

The States having community property laws, and the amount of savings in savings and loan institutions in those States on December 31, 1958, are as follows:

	Millions		Millions
Arizona.....	\$183.6	Nevada.....	49.0
California.....	5,719.4	New Mexico.....	119.2
Idaho.....	100.5	Texas.....	1,541.9
Louisiana.....	640.7	Washington.....	908.2

H.R. 7789 would amend the present law so that married savers in community property States, like their counterparts in other States, would receive insurance by the Federal Savings and Loan Insurance Corporation on their savings accounts in insured institutions, as follows: one or more accounts in the sole name of the husband up to a total of \$10,000, one or more accounts in the sole name of the wife up to a total of \$10,000, and one or more accounts in both of their names as joint tenants with right of survivorship or as tenants by the entirety up to a total of \$10,000.

A similar proposal to remove this inequity in community property States was part of the financial institutions bill in the 85th Congress (S. 1451, 85th Cong.). The suggestion was first made by the U.S. Savings & Loan League in the hearings before this committee on the study of banking laws (84th Cong., 2d sess., pt. 1, p. 116). The Federal Home Loan Bank Board accepted the suggestion and included it as their recommendation No. 166B. The Advisory Committee for the Study of Federal Statutes Governing Financial Institutions and Credit approved this recommendation (Report, Dec. 17, 1956, p. 43). The proposal was supported, though technical amendments were suggested, by the U.S. Savings & Loan League in testimony before this committee on January 31, 1957 (hearings on S. 1451, 85th Cong., pt. 2, pp. 607, 613). The provision was included in title VI, section 402, of S. 1451, and was mentioned at page 76 of this committee's report on S. 1451 (S. Rept. No. 121, 85th Cong.). S. 1451, however, did not become law.

S. 7 was introduced by Senator Ellender early in the 86th Congress, in order to eliminate the discrimination against married savers in community property States. Technical questions were raised about the provisions proposed in S. 7. As the result of conferences between the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, and the Bureau of the Budget, a revision was proposed which was acceptable to all three agencies. These revised provisions are embodied in H.R. 7789, which has been recommended and supported by the Federal Savings and Loan Insurance Corporation and meets with the approval of the Federal Deposit Insurance Corporation and the Bureau of the Budget.

CHANGES IN EXISTING LAW

In compliance with subsection (4) of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

NATIONAL HOUSING ACT

SECTION 401, * * *

(b) The term "insured member" means an individual, partnership, association, or corporation which holds an insured account. Each officer, employee, or agent of the United States, of any State of the United States, of the District of Columbia, of any Territory of the United States, of Puerto Rico, of the Virgin Islands, of any county, of any municipality, or of any political subdivision thereof, herein called "public unit", having official custody of public funds and lawfully investing the same in an insured institution shall, for the purpose of determining the amount of the insured account, be deemed an insured member in such custodial capacity separate and distinct from any other officer, employee, or agent of the same or any public unit having official custody of public funds and lawfully investing the same in the same insured institution in custodial capacity. Funds held in fiduciary capacity, when invested in an insured institution, shall be insured in an amount not to exceed \$10,000 for each trust estate, and notwithstanding any other provisions of this Act, such insurance shall be separate from and additional to that covering other investments by the owners of such trust funds or the beneficiaries of such trust estates. *Notwithstanding any other provision of law, two persons who are husband and wife shall have, with respect to accounts in an insured institution which are community property of such husband and wife and to the extent that such accounts are community property, not to exceed \$10,000 of insurance with respect to such an account or accounts in the sole name of the husband, not to exceed \$10,000 of insurance with respect to such an account or accounts in the sole name of the wife, and not to exceed \$10,000 of insurance with respect to such an account or accounts in the sole name of both: Provided, That in no event shall this sentence increase to an amount which is greater than the total of the amounts hereinbefore set forth in this sentence the aggregate of the insurance which such husband and wife may have under this title with respect to (1) any account or accounts in such institution in the sole name of either of them or in the sole names of both, and (2) any other account or accounts in such institution to the extent that such other account or accounts would, in the absence of this sentence, be required to be included in determining the amount of the individual insurance of such husband or of such wife under subsection (a) of section 405.*

(12 U.S.C. 1724(b))

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SEC. 405. (a) Each institution whose application for insurance under this title is approved by the Corporation shall be entitled to insurance up to the full withdrawal or repurchasable value of the accounts of each of its members and investors (including individuals, partnerships, associations, and corporations) holding withdrawable or repurchasable shares, investment certificates, or deposits, in such institution; except that no member or investor of any such institution shall be insured for an aggregate amount in excess of \$10,000.

(12 U.S.C. 1728(a))

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